

DIRECT TESTIMONY

OF

KAREN A. GOLDBERGER

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION  
ON ITS OWN MOTION

-VS-

GTE NORTH INCORPORATED  
GTE SOUTH INCORPORATED  
CITIZENS TELECOMMUNICATIONS COMPANY OF ILLINOIS  
DOCKET No. 00-0187

MAY 2000

**Witness Identification**

**Q. Please state your name and business address.**

A. My name is Karen A. Goldberger. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

**Q. By whom are you employed and in what capacity?**

A. I am a Senior Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission.

**Q. Please describe your background and professional affiliations.**

A. I am a licensed Certified Public Accountant with a Bachelor of Arts Degree in Accountancy from Sangamon State University and a Master of Arts Degree in Accountancy from the University of Illinois at Springfield and a member of the American Institute of Certified Public Accountants. I joined the Staff of the Illinois Commerce Commission (Staff) in August 1993.

**Q. What is the function of the Accounting Department of the Illinois Commerce Commission?**

A. The Department's function is to monitor the financial condition of public utilities as part of the Commission's responsibilities under Article IV of the Public Utilities

1 Act (Act) (220 ILCS 5/4-101 et seq.) and to provide accounting expertise on  
2 matters before the Commission.

3 **Q. Have you previously testified before this Commission?**

4 **A.** Yes, I have.

5 **Q. What are your responsibilities in this case?**

6 **A.** I have been assigned to this case by the Director of the Accounting Department  
7 of the Commission. I am to review the joint filing of GTE North Incorporated,  
8 GTE South Incorporated (GTE), and Citizens Telecommunications Company of  
9 Illinois (Citizens) filing (Petitioners), and propose recommendations where  
10 appropriate.

11 **Purpose of Testimony**

12 **Q. What is the purpose of your testimony in this proceeding?**

13 **A.** The purpose of my testimony is to present comments or recommendations on  
14 the following issues:

15 1) The Petitioners compliance with the requirements of Section 7-102(C) of the  
16 Act;

1           2) Whether GTE and Citizens are recording the sale and purchase of the  
2           assets, respectively, in accordance with the Code of Federal Regulations  
3           Title 47 - Telecommunications, Chapter 1 Federal Communications  
4           Commission Part 32 - Uniform System of Accounts for Telecommunications  
5           Companies (FCC Part 32);

6           3) Whether GTE and Citizens will provide to Staff the journal entries recording  
7           the sale and purchase, respectively, of the assets at the time the transaction  
8           is recorded on each Petitioner's books and records; and

9           4) Whether Citizens should be allowed to maintain its books and records at its  
10          offices outside Illinois pursuant to 83 Ill. Adm. Code 250 and will whether  
11          Citizens will comply with Section 5-106 of the Act in that it will be liable for  
12          reasonable costs and expenses associated with the audit or inspection of  
13          said books and records.

14       **Compliance with Section 7-102 of the Act**

15       **Q.     On February 25, 2000, the Companies filed a Joint Petition for approval of**  
16       **purchase and sale of assets and related agreements pursuant to Section 7-**  
17       **102 of the Act; the issuance to Citizens of certificates of interexchange**  
18       **service, service and exchange service authority pursuant to Sections 13-**  
19       **403,13-404,13-405 of the Act; and discontinuance by GTE of service**

1        **pursuant to Section 13-406 of the Act (Petition). What Section of the Act**  
2        **did your review of the Petition encompass?**

3        A.     I reviewed the Petitioners' Petition for compliance with Section 7-102, primarily  
4        Section 7-102(C), of the Act.

5        Q.     **What are the requirements of Section 7-102 of the Act as they apply to this**  
6        **transaction?**

7        A.     Section 7-102(A)(b) requires Commission consent and approval (unless such  
8        approval is waived) for the purchase of assets by one public utility of another  
9        public utility, including the acquisition of franchises, licenses, and permits.  
10       Section 7-102(A)(c) requires Commission consent and approval (unless such  
11       approval is waived) of the sale of assets by a public utility, including franchises,  
12       licenses and permits.

13  
14       Section 7-102(C) requires the filing of a petition, joint or otherwise, with the  
15       Commission signed by the appropriate representative(s) of the company or  
16       companies setting forth the objective and purpose of the petition and the full and  
17       complete terms of the transaction.

18  
19       Section 7-102 (D) sets forth certain conditions where the approval by the  
20       Commission may be waived; however, those conditions do not apply to this  
21       transaction.

1 Q. Did the Company comply with the filing requirements of Section 7-102(C)?

2 A. Yes. The Petition filed by the Petitioners fulfills the requirements of Section 7-  
3 102(C) as described above.

4 **Accounting Treatment**

5 Q. Do you have any comments regarding the Petitioners accounting treatment  
6 of this transaction?

7 A. Yes. GTE, in Petitioners' Exhibit 1.0, page 8, and response to Staff Data  
8 Request KG- 04 (Attachment 1), and Citizens, in Petitioners' Exhibit 2.0, pp.11 &  
9 12, have stated they will account for the transaction in accordance with the Code  
10 of Federal Regulations Title 47 - Telecommunications, Chapter 1 Federal  
11 Communications Commission Part 32 - Uniform System of Accounts for  
12 Telecommunications Companies. In addition, Citizens stated it will continue to  
13 use the FCC Part 32 procedures and apply them in accordance with Commission  
14 Rules in Illinois (Petitions Exhibit 2.0, pp. 11 & 12).

15 **Journal Entries**

16 Q. When the Petitioners enter the journal entries recording the transaction on their  
17 books and records, will those entries also be provided to Staff?

1 A. Yes. GTE, in response to Staff Data Request KG-08 (Attachment 2), and  
2 Citizens, in response to Staff Data Request KG-09 (Attachment 3), have each  
3 stated they will provide the journal entries recording the transaction to Staff  
4 when they are recorded on their books and records. I recommend the final  
5 journal entries be filed with the Chief Clerks Office and a copy be provided to the  
6 Director of Accounting.

7 **Citizens Maintenance of Books and Records**

8 Q. **Citizens has requested authority from the Commission to maintain its**  
9 **books and records outside the state of Illinois pursuant to 83 Ill. Adm.**  
10 **Code 250. Do you have a recommendation regarding this request?**  
11

12 A. Yes. In the Joint Petition, Paragraph 8, page 11, Citizens agrees to be liable for  
13 the reasonable costs and expenses associated with the audit or inspection of  
14 any books and records as required by Section 5-106 of the Act. Since Citizens  
15 has stated it will comply with Section 5-106, I recommend the Commission grant  
16 Citizens the authority to maintain its books and records outside the state of  
17 Illinois.

18 Q. **Please summarize your comments and recommendations.**

19 A. My conclusions are as follows:

1           1) The Petitioners have complied with Section 7-102 (C)of the Act.

2           2) The Petitioners will record the transaction in accordance with the Code of  
3           Federal Regulations Title 47 - Telecommunications, Chapter 1 Federal  
4           Communications Commission Part 32 - Uniform System of Accounts for  
5           Telecommunications Companies.

6           3) The Petitioners will file the journal entries recording the transaction to Chief's  
7           Clerk's Office and provide a copy to the Director of Accounting at the time  
8           they are entered on each Petitioner's books and records.

9           4) Citizens should be allowed to maintain its books and records at its offices  
10          outside Illinois pursuant to 83 Ill. Adm. Code 250 and will comply with Section  
11          5-106 of the Act in that it will be liable for reasonable costs and expenses  
12          associated with the audit or inspection of said books and records.

13       Q.     Does this conclude your prepared direct testimony?

14       A.     Yes, it does.